

Message Text

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AMCONSUL MILAN

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UNCLAS SECTION 1 OF 2 ROME 2797

PASS TREASURY AND FRB

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TAGS: EFIN IT

SUBJ: SUMMARY OF NEW ITALIAN ECONOMIC PROGRAM

REF: A. ROME 2014, B. ROME 1742, C. ROME 861, D. 75 ROME
18950

/SUMMARY/: MORO'S PRESENTAION OF NEW GOVERNMENT IN CONGRESS
ON FEBRUARY 19 COVERED MANY OLD BUT RELATIVELY FEW NEW
ECONOMIC GROUNDS. RPOGRAM AND COMMENTS CONSIST MAINLY
OF FOLLOWING: A. ABANDONMENT OF PROPOSED SPECIAL TAX ON
BUSINESS PROFITS, B. REJECTION OF NEW TAXES, C. MODIFICATION
OF THE SALARY FREEZE PROPOSAL ON UPPER LEVEL INCOMES, D.
AFFIRMATION OF MORO/LA MALFA DRAFT LEGISLATION FOR INDUSTRIAL
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RECONVERSION--HOW- EVER, AMENDMENTS WILL BE PROPOSED, D.RE-

AFFIRMATION OF TREASURY DEBT LIMIT IN 1976 OF MAXIMUM 17,800 BILLION LIRE, F. GENERALIZED STATEMENT OF CONDITIONS FOR RE-ENTRY INTO FOREIGN EXCHANGE MARKET AS DEPENDENT UPON ADEQUATE LEVEL OF FOREIGN EXCHANGE RESERVES, G. PROPOSAL TO PREVENT CAPITAL FLIGHT BY CLOSING REGULATORY LOOPHOLES AND MAKING CERTAIN CAPITAL EXPORT OFFENSES CRIMINAL RATHER THAN ADMINISTRATIVE, H. INTENTION TO REVITALIZE INTERMINISTERIAL PRICE COMMITTEE WHICH WOULD INVESTIGATE UNJUSTIFIED PRICE INCREASES, I. INTENTION TO URGE THAT LABOR CONTRACT WAGE INCREASES BE SPREAD OVER LIFE OF CONTRACT WAGE INCREASES BE SPREAD OVER LIFE OF CONTRACT, J. PROPOSAL TO PROVIDE YEARLY PROGRESS REPORTS TO PARLIAMENT ON STATE-PARTICIPATING AGENCY INVESTMENTS. SUMMARY OF MAIN PROVISIONS AS REVIEWED IN PRESS FOLLOWS. /END SUMMARY/:

1. /MONETARY MEASURES/: RECENT MONETARY MEASURES RESTRICTING LIQUIDITY WILL BE RE-EXAMINED AND EVENTUALLY REVOKED, WITH A POSSIBLE MORE COMPREHENSIVE PLAN IN THE FUTURE.

2. /TREASURY DEBT LIMIT/. TREASURY DEBT, INCLUDING DEBT TO "CASA DEPOSITI E PRESTITI" (GOVERNMENT SAVINGS AND LOAN INSTITUTE FUNDED BY POSTAL SAVINGS ACCOUNT) AND LOANS TO AUTONOMOMOUS AGENCIES, IS FIXED AT 14,800 BILLION LIRE FOR 1976. SPEECH HINTS AT POSSIBILITY OF INCREASED REVENUES AND THEREBY REDUCED DEFICIT RESULTING FROM GROWTH IN NATIONAL INCOME GREATER THAN FORECAST. IN ALL EVENTS, MORO EMPHASIZED THAT DEFICIT WILL NOT EXCEED 14,800 BILLION LIRE.

3. RECOURSE TO CENTRAL BANK. MORO STATED SUCH RECOURSE WILL BE HELD TO LIMITS CONSISTENT WITH THE MONETARY EXPANSION REQUIRED FOR FUNCTIONING OF THE ECONOMY.

4. /COST OF MONEY/. AN INCREASE IN DOMESTIC INCOME IN THE FACE OF UNCHANGED LEVELS OF DOMESTIC CREDIT COULD PRODUCE AN INCREASE IN THE COST OF MONEY.

5. /SUPPORTING THE LIRA/. WHEN ITALY RE-ENTERS THE MARKET (UNDESIGNATED), ITS POLICY OF INTERVENTION WILL BE AN ELASTIC AND NOT A RIGID DEFENSE OF THE EXCHANGE RATE.

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6. /MONETARY RESERVES/. BEFORE RE-ENTERING THE EXCHANGE MARKET, A SOLID LEVEL OF FOREIGN EXCHANGE RESERVES MUST BE RECONSTRUCTED. IT IS TO THIS END THAT FOREIGN BORROWINGS ARE BEING MADE (IMF AND EEC).

7. /CAPITAL FLIGHT/. NEW MONETARY REGULATIONS WILL BE ISSUED TO CLOSE LOOPHOLES WHICH NOW PERMIT UNDER AND OVER INVOICING. ALSO, CURRENCY SMUGGLING, WITH THE PROMULGATION OF

APPROPRIATE NEW REGULATIONS, WILL BE PROSECUTED AS A CRIMINAL RATHER THAN ADMINISTRATIVE OFFENSE, AS AT PRESENT. OTHER CONTROLS WILL BE INTRODUCED FOR TOURISM AND TO COUNTERACT THE EFFECTS OF CONTRABAND AND DUMPING WHICH TEND TO INFLATE IRREGULAR FLOWS OF SOME IMPORTS.....

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8. /EXPORTS/. PROPOSES IMMEDIATE RECONSTITUTION OF LAW 131 (EXPORT CREDIT FUND) 700.BILLION LIRE.

9. /EXCESS PROFIT TAX ON BUSINESSES/. MORO STATES HE IS WITHDRAWING THIS PROPOSAL (SEE REF A). HOWEVER, A STUDY WILL BE MADE FOR A POSSIBLE ALTERNATIVE SOLUTION TO INFLATIONARY PRICE INCREASES.

10. /INTERMINISTERIAL PRICE COMMITTEE (C.I.P.). C.I.P. WILL BE REORGANIZED IN SUCH A MANNER THAT REGIONS AND COMMUNITIES PARTICIPATE MORE ACTIVELY IN ITS OPERATION. THE CIP WILL BE

AUTHORIZED TO MAKE VERIFICATIONS TO THE APPROPRIATE REVENUE OFFICIALS THAT AN UNJUSTIFIED PRICE INCREASE HAS TAKEN PLACE.

1. /PUBLIC SERVICES/. SOME RATE ADJUSTMENTS WILL HAVE TO BE MADE, BUT THEY WILL BE TEMPERED THROUGH THE INSTITUTION OF UNCLASSIFIED

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SPECIAL RATES ON SOCIAL SERVICES FOR USERS WITH LOW INCOMES.

12. /FREEZING HIGH SALARIES/. THE GOVERNMENT INTENDS TO STUDY THE MOST APPROPRIATE MEANS FOR FREEZING SALARIES THIS YEAR OF MANAGERS OF BUSINESSES, INSTITUTES, AND SOCIETIES. THE GOVERNMENT IS INCLINED, IF SOCIAL FORCES WOULD AGREE, TO PROPOSE LEGISLATIVE MEASURES TO FREEZE ALL HIGH SALARIES (EXCEEDING 10 MILLION LIRE GROSS PER YEAR).

13. /LABOR CONTRACT RENEWALS/. GOVERNMENT PROPOSES TO WITHHOLD CONTRACTED SALARY INCREASES THIS YEAR FOR THE HIGHEST LEVEL GOVERNMENT SALARIED EMPLOYEES. THE GOVERNMENT WILL PROPOSE THE SAME FORMULA WHEN CALLED UPON TO INTERVENE IN PRIVATE SECTOR LABOR DISPUTES.

14. /TAX EVASION/. CENTRALIZED TAX LIST MUST BE CARRIED FORWARD WITH THE UTMOST RAPIDITY, AT THE SAME TIME, AUTHORIZATION WILL BE GIVEN TO TAX COLLECTORS TO PERFORM SPOT AUDITS.

15. /TAXES/. FOR THE MOMENT THERE WILL BE NO NEW TAXES. THE REVISED UPWARD ESTIMATE BY 2,000 TO 2,500 BILLION LIRE OF EXPECTED REVENUES REQUIRES FOR NOW UNNECESSARY A RECOURSE TO THE PROJECTED TAX PACKAGE OF 2,000 BILLION LIRE.

16. /PUBLIC EXPENDITURES/. A MINISTERIAL GROUP WILL BE FORMED TO FOLLOW THE RHYTHM OF PUBLIC EXPENDITURES, AND WITHIN TWO MONTHS WILL PRESENT TO THE PARLIAMENT A REPORT ON THE STATUS OF IMPLEMENTATION OF THE ANTI-RECESSION MEASURES.

17. /FORECAST ON NATIONAL INCOME/. MORO SUGGESTS THAT IT IS STILL POSSIBLE IN THE TWO-YEAR PERIOD 1976-77 FOR ITALIAN GDP TO GROW BY 8 PERCENT.

18. INDUSTRIAL RECONVERSION. THE MORO-LA MALFA DRAFT LEGISLATION FOR INDUSTRIAL RECONVERSION WILL NOT BE WITHDRAWN, BUT THE GOVERNMENT WILL IN THE NEAR FUTURE PRESENT A SERIES OF PROPOSED AMENDMENTS. THESE AMENDMENTS WILL TAKE INTO CONSIDERATION OBJECTIONS BROUGHT OUT BY POLITICAL AND SOCIAL FORCES. IN PARTICULAR, THE AMENDMENTS WILL INCLUDE: A. DESIGNATION OF PRIORITY SECTORS FOR INTERVENTION, B. NON-DISCRIMINATORY AND EFFECTIVE CONTROL OF INTERVENTION, C. A UNCLASSIFIED

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MECHANISM FOR SAFEGUARDING LABORERS IN BUSINESSES IN THE PROCESS OF RESTRUCTURING, D. UNIFYING INDUSTRIAL INCENTIVE LAWS, E. EARLY REPORT TO PARLIEMENT ON THE STATE OF IMPLEMENTATION OF STATE PARTICIPATING AGENCY INVESTMENTS PLANS (WHICH WILL TOTAL 20,000 BILLION LIRE IN THE NEXT FOUR YEARS).

19. /MEZZOGIORNO/. AMENDMENTS WILL BE PROPOSED TO THE ORIGINAL DRAFT BILL WITH 1980 REMAINING THE CUTOFF DATE FOR THE FUND FOR SOUTHERN DEVELOPMENT (CASSA PER IL MEZZOGIORNO). IN THE MEANTIME, THE REGIONS WILL BE GIVEN INCREASED RESPONSIBILITY FOR IMPLEMENTING THE PROGRAMS. THE SOCIALIST IDEA OF A SPECIAL PROJECT TO TECHNICALLY PREPARE THE REGIONS TO DEAL WITH DEVELOPMENT PROGRAMMING IS ACCEPTABLE.

20. /INTERIM PROVISIONS FOR THE MEZZOGIORNO/. THESE MEASURES WILL SERVE THE PURPOSE OF FUNDING THE CASSA PER IL MEZZOGIORNO AND THE REGIONS IN ORDER TO CARRY OUT SPECIAL PROJECTS ALREADY APPROVED, PENDING THE INTRODUCTION OF NEW LEGISLATIONS WITH SOUTHERN DEVELOPMENT. THE PROVISIONAL MEASURES WILL PROVIDE 2,000 BILLION LIRE TO THE REGIONS AND 500 BILLION TO THE CASSA.

21. /MEASURES FOR EMPLOYMENT FOR THE YOUNG/. THESE MEASURES ARE THE SAME AS THOSE PROPOSED EARLIER WHILE MORO WAS IN PROCESS OF FORMING A GOVERNMENT (REFTEL A).

22. /ECONOMIC PLANNING/. THE GOVERNMENT IS NOT IN A POSITION TO FURNISH A SATISFACTORY ECONOMIC PLAN COVERING FROM NOW TO 1980 BECAUSE OF THE UNSTABLE ECONOMIC SITUATION.

23. /MEDIUM-TERM PLAN/. THIS FOLLOWS THE SAME LINES FOR SECTOR ASSISTANCE PROPOSED IN THE ORIGINAL MORO-LA MALFA PLAN (SEE REFTEL B) WHICH INCLUDE ENERGY, HOUSING, TRANSPORTATION AND AGRICULTURE. VOLPE

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